

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05

SS-15 STR-06 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02

SOE-02 OMB-01 DOE-11 /114 W

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R 111620Z JAN 78

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 4185

INFO ALL EC CAPITALS

AMEMBASSY PARIS

USMISSION GENEVA

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USEEC

PASS AGRICULTURE AND STR ELECTRONICALLY

PARIS ALSO FOR USOECD

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E.O. 11652: N/A

TAGS: EAGR, EEC

SUBJ: EC COMMISSION PROPOSES ABOLITION OF MIP'S ON

TOMATO CONCENTRATES, SUBSIDIES FOR CERTAIN PROCESSED

FRUITS AND VEGETABLES

REF: (A) BRUSSELS 18330, (B) 77 EC A-227, (C) 77 EC A-149,

(D) GENEVA 265

1. SUMMARY: THE EC COMMISSION HAS PUBLISHED A DRAFT
REGULATION WHICH WOULD IMPLEMENT THE PROPOSED SUBSIDY

SYSTEM FOR THE PRODUCTION OF CERTAIN PROCESSED FRUIT
AND VEGETABLES CONTAINED IN THE MEDITERRANEAN REFORM

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PACKAGE (REF. A). THE REGULATION GIVES FURTHER DETAILS
ON THE OPERATION OF THE SYSTEM. IT ALSO INCLUDES PROVI-
SIONS TO ELIMINATE THE MINIMUM IMPORT PRICE SYSTEM ON
TOMATO CONCENTRATES. END SUMMARY.

2. REF. A REPORTED THAT AS PART OF THE MEDITERRANEAN
REFORM PACKAGE, SUBSIDIES ARE PROPOSED FOR THE PRODUCTION

OF CERTAIN PROCESSED FRUIT AND VEGETABLES, INCLUDING TOMATOES. THE COMMISSION HAS NOW ISSUED DRAFT REGULATIONS WHICH WOULD IMPLEMENT THE PROPOSALS CONTAINED IN THE MEDITERRANEAN REFORM PACKAGE (VOLUME II, COM(77)526 OF JANUARY 3, 1978). THE DRAFT REGULATION IMPLEMENTING THE SUBSIDY PROPOSAL WOULD ALSO PROVIDE FOR THE ELIMINATION OF THE MIP'S ON TOMATO CONCENTRATES EFFECTIVE JULY 1, 1978. THIS FEATURE WAS NOT MENTIONED IN EARLIER DOCUMENTS. HOWEVER, COMMISSION OFFICIALS CONFIRM THEIR INTENTION OF ABOLISHING THE MIP'S FOR TOMATO CONCENTRATES. WHEN ASKED IF THE PROPOSED ABOLITION OF MIP'S WAS MOTIVATED BY A DESIRE TO RESOLVE THE CURRENT GATT DISPUTE (REF. D), A COMMISSION OFFICIAL IN THE FRUIT AND VEGETABLE SECTION DENIED THAT THIS HAD BEEN A FACTOR. INSTEAD, HE INDICATED THAT THE COMMISSION FELT THAT THE MIP SYSTEM HAD NOT BEEN EFFECTIVE IN PROTECTING EC PRODUCERS.

3. THE DRAFT REGULATION ALSO PROVIDES ADDITIONAL DETAILS AS TO THE OPERATION OF THE PROPOSED SUBSIDY SYSTEM FOR PROCESSED FRUIT AND VEGETABLES. UNDER THE PROPOSED SYSTEM, TO BE IN EFFECT UNTIL THE END OF MARKETING YEAR 1982/83, SUBSIDIES WOULD BE PAID TO PROCESSORS OF PEACHES, APRICOTS, PRUNES, PEELED TOMATOES AND TOMATO CONCENTRATES. THE SYSTEM WOULD OPERATE ALONG THE LINES OF THE SUBSIDIES GRANTED TO LEMON PROCESSORS (REF. B). LIMITED OFFICIAL USE

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TO BE ELIGIBLE TO RECEIVE THE SUBSIDIES, PROCESSORS MUST CONTRACT WITH PRODUCERS TO PURCHASE FRESH PRODUCE AT A MINIMUM PRICE WHICH WOULD BE FIXED BEFORE THE BEGINNING OF EACH MARKETING YEAR. CALCULATION OF THE MINIMUM PRICE WOULD BE BASED ON THE AVERAGE OF PRICES PAID BY PROCESSORS FOR THE FRESH PRODUCE DURING THE MARKETING YEAR PRECEDING THAT FOR WHICH THE MINIMUM PRICE IS FIXED AND THE AVERAGE TREND OF THE ANNUALLY-FIXED BASIC AND PURCHASE PRICES.

4. THE AMOUNT OF THE SUBSIDY, TO BE FIXED BEFORE THE BEGINNING OF EACH MARKETING YEAR, IS TO BE EQUAL TO THE DIFFERENCE BETWEEN THE PRICES OF COMMUNITY PRODUCTS AND THOSE OF THIRD COUNTRY PRODUCTS. PRICES OF COMMUNITY PRODUCTS ARE TO BE ESTABLISHED ON THE BASIS OF THE MINIMUM PRICE AND PROCESSING COSTS, WHILE THOSE OF THIRD COUNTRY PRODUCTS ARE TO BE DETERMINED ON THE BASIS OF THE FREE-AT-FRONTIER PRICES ON IMPORTS INTO THE COMMUNITY AND PRICES OBTAINED IN INTERNATIONAL TRADE. HOWEVER, IN FIXING THE SUBSIDY TO BE GRANTED TO PROCESSORS OF TOMATO CONCENTRATES FOR THE FIRST TIME, THE FREE-AT-FRONTIER PRICES WOULD NOT BE CONSIDERED.

5. THE ENGLISH VERSION OF THE DRAFT REGULATION INCLUDES AMENDMENTS PRIMARILY AIMED AT LINKING THE EXISTING LICENSING SYSTEM FOR PROCESSED FRUIT AND VEGETABLES TO A "FLOOR PRICE" SYSTEM. HOWEVER, THESE AMENDMENTS WERE NOT INCLUDED IN THE FRENCH VERSION. WHEN QUERIED ABOUT THIS DISCREPANCY, A COMMISSION OFFICIAL TOLD US THAT THE ENGLISH VERSION WAS IN ERROR AND THAT THE FRENCH VERSION SHOULD BE CONSIDERED AS OFFICIAL. WHILE ADMITTING THAT THE COMMISSION HAD DISCUSSED THE POSSIBILITY OF INTRODUCING THE FLOOR PRICE SYSTEM IN DRAFTING THE REGULATION, HE SAID THAT THE COMMISSION DECIDED AGAINST THIS MEASURE AND HAS NO INTENTION

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CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05
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OF PROPOSING THE ESTABLISHMENT OF THIS SYSTEM.

6. EC LEGISLATION (COUNCIL REGULATION NO. 516/77--
REF. C) COVERING THE MARKET ORGANIZATION FOR PROCESSED
FRUIT AND VEGETABLES INCLUDES PROVISIONS FOR THE
INTRODUCTION OF A FLOOR PRICE SYSTEM (PRESUMABLY FOR
ANY COMMODITY COVERED BY THE REGULATION) UPON COUNCIL
APPROVAL. THE BASIC DIFFERENCE IN THE FLOOR PRICE
SYSTEM AND THE MIP FOR TOMATO CONCENTRATES IS THAT
EC PRODUCTION COSTS ARE NOT TAKEN INTO ACCOUNT IN
CALCULATING THE MINIMUM IMPORT PRICE FOR TOMATO
CONCENTRATES. IN ESSENCE, IF THE COMMISSION WERE TO

INTRODUCE THE FLOOR PRICE SYSTEM AT SOME FUTURE TIME,
IT WOULD SERVE THE SAME PURPOSE AS THE MIP SYSTEM.
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